



2020 - 2021
Interim
Legislative Report

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226 AL Investors
Victims of \$28m scheme
(Pg 4)

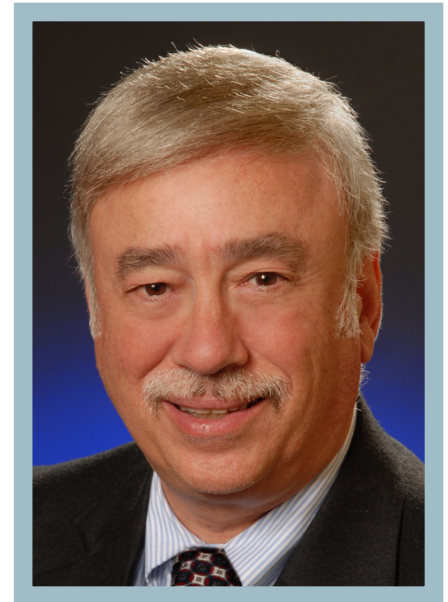


NO silver lining



Dear Legislator,

This year, The Alabama Securities Commission (ASC) has waged war against COVID-19 related investment fraud, adapted to a contact-less registration system, developed new strategies for auditing in a socially distanced world, embraced digital investor education and continued to enforce Alabama Blue Sky Laws and the Monetary transmission Act. At every turn, this pandemic has challenged staff and senior leadership of the Commission. I'm proud to report on the activities of the ASC and showcase how we have risen to meet every challenge. The following pages demonstrate the strength, knowledge, and skill set of a determined group of individuals, who have set aside personal challenges brought on by the pandemic and dedicated themselves to the protection of Alabama residents. You will notice that a central theme of this document is a blue mountainous landscape. It perfectly illustrates how the state agency charged with enforcing Alabama blue sky laws has dauntlessly persevered in the face of ever-increasing obstacles.



Director Joseph P. Borg

The Alabama Securities Commission (ASC) is strongly committed to protecting Alabama citizens (individuals, small businesses, corporations, and endowments) from deceptive and illegal practices associated with offers, sales, and purchases of securities and securities-related services in Alabama. To meet this goal, the ASC carries out five important functions: registration, auditing, enforcement, legal, and education. The ASC strives to continually refine and strengthen its role as a staunch advocate for Alabama's "main street" investors. By protecting Alabama's investors, the ASC preserves and encourages legitimate capital markets in the state.

In FY 2019-2020 ASC generated \$13,032,201 for the General Fund. This fiscal year, the demand for services increased as fluctuating stock markets continued to surge in trading volume and overall value. ASC maintains a high level of efficiency by applying proven management techniques, efficient performance of duties, effective use of available technologies, and adherence to financial and budget guidelines. The ASC is sensitive to the concerns and long-term financial security of Alabama citizens, whether individuals or small businesses, and must act quickly and decisively when misleading or illegal practices undermine confidence in our financial markets. When Alabama securities laws are believed to have been violated, the ASC's Enforcement Division takes the lead in conducting complex investigations in response to complaints or evidence of alleged securities fraud.

The Commission successfully met the challenge to maintain outstanding customer services and productivity in March 2020 when the pandemic required most employees to work from home. The Commission must maintain the turnaround of investment advisor requests for registration and review and approve industrial revenue bonds and other exemptions that allow the business world to effectively formulate capital. We have kept pace with citizen outreach by switching to virtual platforms. The ASC staff participates in Zoom, WebEx, Microsoft Teams, and other software platforms to encourage continued training of staff and provide/share training with citizens and other securities regulators in North America.

A Snapshot Review of FY 2021 So Far...

ASC Teaming Up with Other State and Federal Securities Regulators to Identify and to Halt Further Investor Victimization

In addition to 179,869 licenses, registrations and exemptions, almost \$8 million in restitution ordered and 10 criminal convictions,* the ASC worked side by side with other states and federal counterparts on two major cases for the first part of FY 2021 and will continue the partnership as the cases move forward. The first case stems from ASC participating in a nationwide enforcement action to stop a fraudulent precious metals scheme that solicited \$185,000,000 from at least 1,600 seniors and other investors, of which dozens were from Alabama.

As a lead state, ASC joined the Commodity Futures Trading Commission (CFTC) along with 29 other states in filing a complaint, naming California-based companies TMTE Inc., also known as Metals.com, Chase Metals Inc., Chase Metals LLC, Barrick Capital Inc., along with Simon Batashvili, Lucas Asher, and Tower Equity LLC. The defendants are accused of using cold calling and social media advertisements designed to instill fear in elderly and retirement-aged investors. Investors were advised to liquidate their holdings at registered investment firms to fund investment in precious metals, bullion and gold and silver coins through self-directed individual retirement accounts (IRAs). The defendants are accused of failing to disclose the markup charge for their precious metals bullion products, misrepresenting the lack of oversight in self directed IRA's and that the investors could lose the majority of their funds once a transaction was completed.

The United States District Court for the Northern District of Texas entered an injunction and a restraining order freezing the assets of the defendants. It also appointed a Receiver – an official responsible for marshalling assets of the defendants and relief defendant for the benefit of defrauded clients.

The ASC has notified every Alabama investor that the Receiver will begin administering the claims process and stands ready to assist each investor in the claims process. In the coming months, the Receiver will submit the claims to the court for approval to start distributing the remaining money to defrauded clients.

The second case, in which ASC worked as a lead state and in tandem with other states and federal colleagues, received national media attention because it is the subject of a \$1.8 billion securities fraud scheme. The scheme involving 1600 victims across the United States- including 226 Alabama investors (\$30 million invested). Alabama joined New Jersey, New York, Georgia, Illinois, Missouri, South Carolina, and the United States Securities and Exchange Commission (SEC) in filing actions against GPB Capital and other defendants. ASC V. GPB et al., is filed in the circuit court of Madison County, Alabama.

The scheme centered on the sale of private market, high-commission limited partnership interests in a series of alternative-asset investment funds managed by GPB Capital. The funds targeted exclusively to “accredited investors” whose net worth or income qualified them to participate in private placement securities transactions exempt from SEC and state registration requirements.

The defendants lured investors in with false and misleading promises that the GPB funds would pay an 8% annualized distribution in monthly installments. Despite their promises, the defendants increasingly relied on “Ponzi-like financing”- using new investors’ capital contributions to pay prior investors monthly

distributions. To conceal their scheme, the defendants created fictitious and misleading “performance guarantees” that fraudulently inflated the reported income of some of the GPB funds. Three principal officers of the defendant companies have now been arrested by federal prosecutors.

Projections for FY 2021 and Beyond

Cybercriminals do not go door to door. Many fraudsters strategically prey on vulnerable investors that are socially isolated, unemployed, or trying to make ends meet during this tumultuous season due mostly to COVID-19. Fraudsters are also aware that Bitcoin is currently being traded for record amounts. They take advantage of people looking to invest in cryptocurrencies and are using terms associated with the cryptocurrency industry and then offer “too good to be true opportunities.”

The ASC is playing a leading role in the “COVID-19 Enforcement Task Force” an initiative of the North American Securities Administrators Association (NASAA), of which ASC is a member. This coordinated regulatory focus has resulted in at least 250 pending or completed enforcement actions for COVID-19-related threats to investors, including but not limited to fraudulent offerings, investment frauds, and unregistered regulated activities, and approximately 262 inquiries or investigations by securities regulators from U.S. states and Canadian provinces since April 2020. As of February 23, 2021, the ASC has issued 9 Cease and Desist orders involving COVID-19 related schemes.

The ASC is continuing “Operation Cryptosweep”, another joint initiative. This coordinated regulatory focus has resulted in at least 85 pending or completed enforcement actions involving Initial Coin Offerings (ICOs) or cryptocurrency-related investment products and approximately 330 inquiries or investigations by securities regulators from U.S. states and Canadian provinces since April 2018. As of March 26, 2021, the ASC has issued 21 Cease and Desist orders involving cryptocurrencies.

ASC has implemented different outreach methods to increase public awareness of ASC services during the pandemic. COVID-19 had a tremendous impact on the number of events planned for FY2020, with over 34 events postponed due to social gathering guidelines. With ASC guidance, the Alabama Broadcasters Association (ABA) acquired a grant from the Investor Protection Trust (IPT) to initiate a very successful television and radio campaign in FY 2020. The ABA managed a 3-month advertising campaign and purchased television and radio spots from approximately 34 television stations and 90 radio stations throughout the state. The broadcast signals reached over two million people each month resulting in over 6,000,000 impressions via television and radio. ASC and IPT are also currently partnering with the Alabama Press Association (APA) in launching a digital newspaper campaign, across the State during March, April and May 2021 to increase the public’s awareness of ASC services and the availability of fraud prevention and investor education materials.

A great way to combat investment fraud is through investor education. ASC continues to issue a series of press releases to the media to help inform the public on how to identify, report, and prevent fraud from occurring. Press releases and education materials may be accessed on our website at www.asc.alabama.gov. We invite our legislators to please contact us for partnership opportunities with ASC to offer investor education and fraud prevention programs in your District, for virtual or in-person when social gathering is deemed safe.

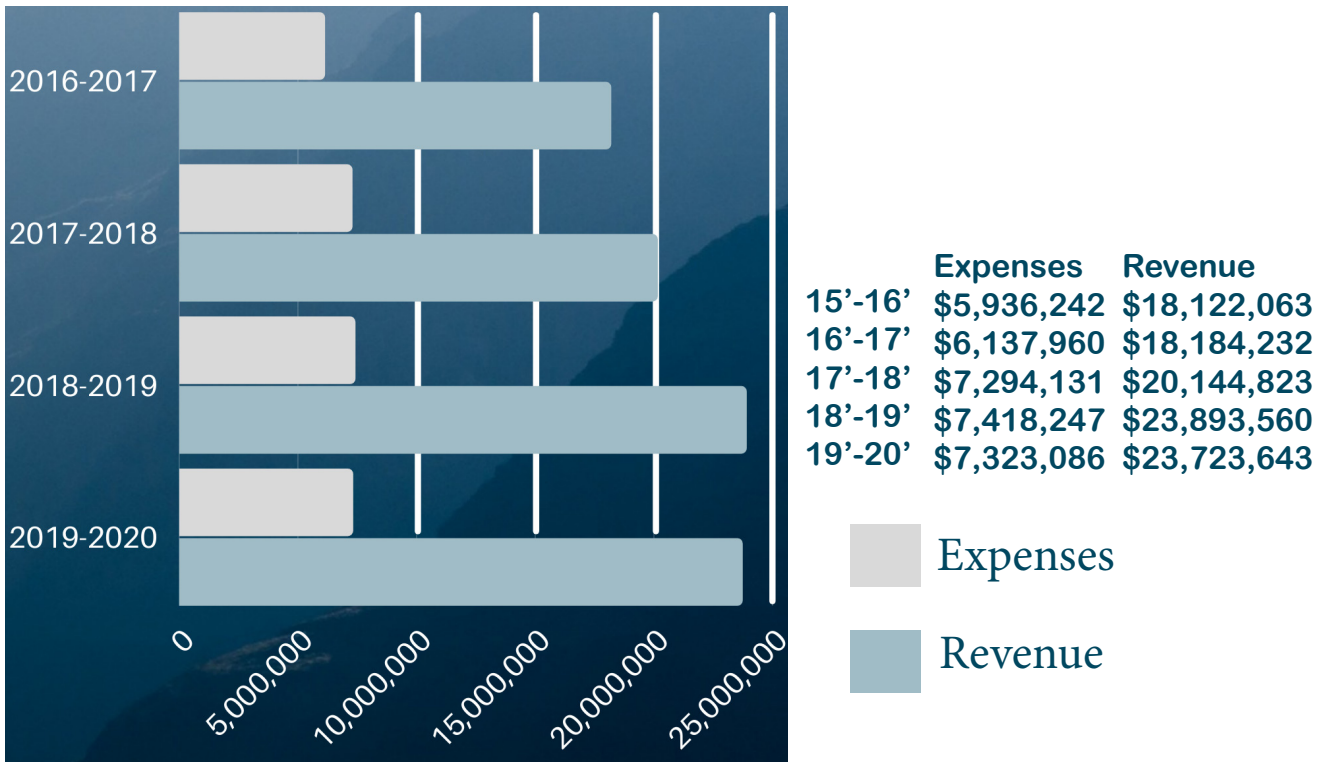
*21 other individuals are awaiting grand jury action, arrest or trial.

Financial Charts

Receipts to the General Fund



Combined Revenue & Expenses FY 2015 - 2016 to FY 2019 - 2020



FY 2019 - 2020 Activity Summary

179,869 Licenses, registrations and exemptions issued

63 On site examinations/audits

253 Complaints and corporate inquiries received

\$116,790,000.00 Industrial revenue bonds reviewed

26 Administrative Orders issued

40 Administrative Order respondents

\$7,860,096.44 In restitution ordered to victims

18 Public warnings issued

53 Educational seminars on safe and wise investing

34 Events postponed due to Covid-19
3/6/2020

ASC total staff – 63 (includes 8 attorneys, 12 special agents, and 12 securities analysts)

3 Indictments

3 Arrests made

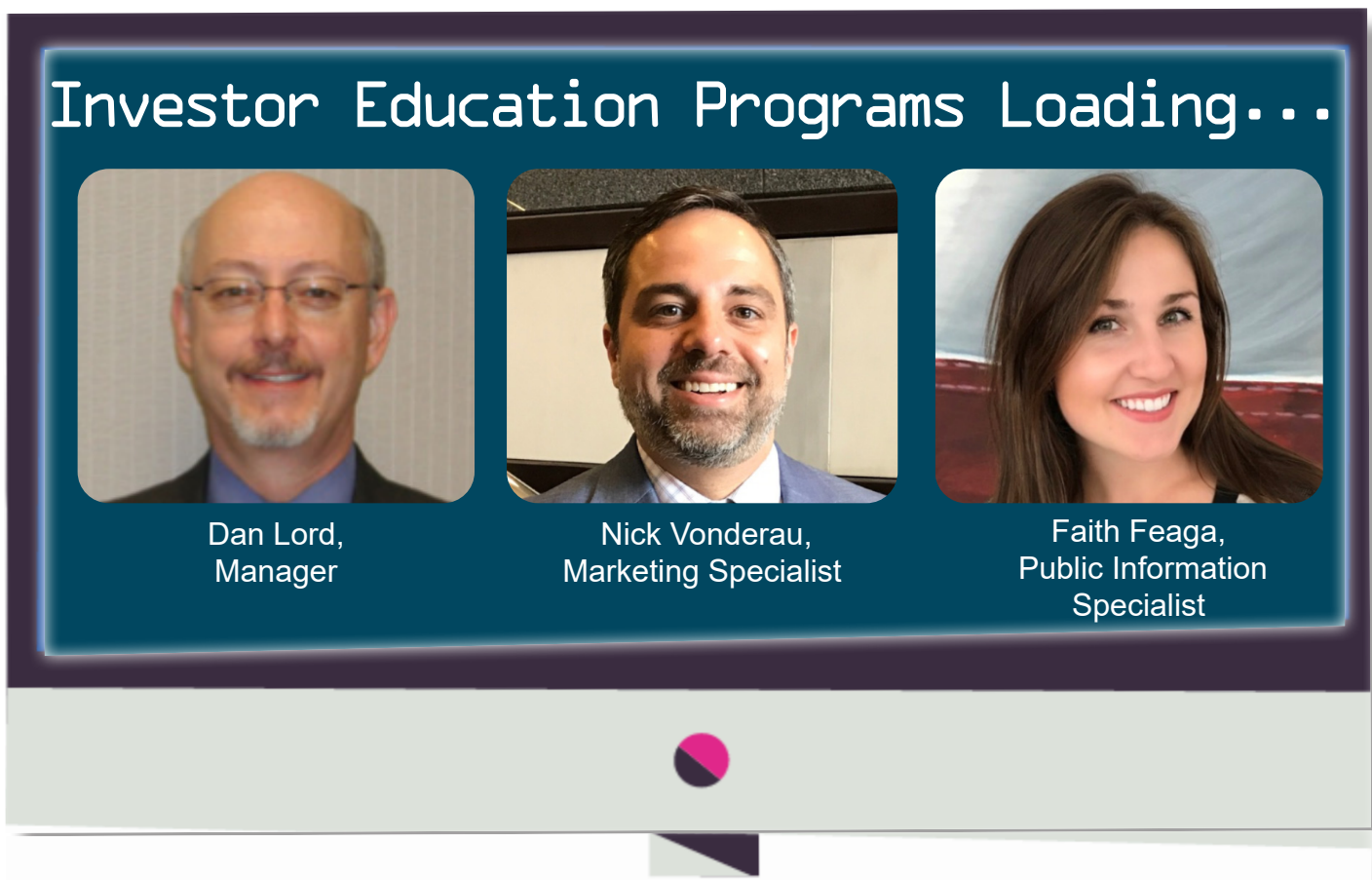
10 Convictions

87 Years sentenced

21 Individuals awaiting grand jury action arrest or trial

Investor Education & Fraud Prevention

The COVID-19 virus certainly hindered traditional methods of public outreach for the Education and Public Affairs Department. To protect the health of our staff and constituents, many events were canceled or postponed. However, with some creativity, quick thinking, support from senior staff and our partners, virtual outreach quickly became the Commission's new normal.



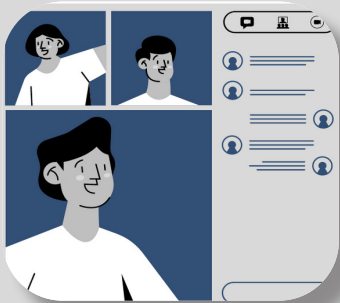
The Education and Public Affairs office projected over 100 events for Fiscal Year 2019-2020. Due to the pandemic, over 34 scheduled public events were postponed since March 2020. The final total for this fiscal year was 53 events, which included first time Zoom and WebEx virtual fraud prevention and investor education training for Alabamians.

Examples of Investor Education Done Virtually

ASC participated in 2 fraud hot line events hosted by WSFA 12 News & AARP. Alabamians were able to call the hot line with questions. 9/23/20 & 3/24/2021

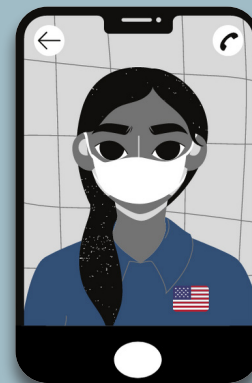


Virtual investor education presentation to the Montgomery Kiwanis Club. 6/23/20



Virtual M4A Coffee Break

event for seniors and caregivers to fight elder exploitation. 7/1/20



Virtual training for professional caregivers of Veterans. 8/20/20



ASC Participates in Television Fraud Prevention Phone Banks and Two Similar Tele-Town Halls

AARP and the ASC have worked together to partner and help protect the citizens of Alabama for many years. ASC participated in call-in phone banks with other fraud prevention experts. These events answered many questions about fraud and advised Alabamians on where and how to file complaints. The fraud prevention phone bank events took place through WSFA in Montgomery on September 23, 2020, and March 24, 2021. The phone bank hotlines were featured during the 4 PM, 5 PM, and 6 PM newscasts reaching Alabama viewers in Central and South Alabama. Viewers could call-in and ask questions to volunteer panelists from the ASC, local enforcement agencies and other experts serving surrounding communities.

The two tele-town halls were available for all AARP members throughout the state to call in and ask questions to the panelists of experts from ASC and other citizen service agencies to take a complaint or receive tips on protecting themselves from fraud. It is estimated that these programs reached up to 2,300 Alabamians.

New ASC website area: “Con Watch”

At the beginning of the COVID-19 pandemic, fraudsters began working overtime to take advantage of Alabama’s residents. In an effort to inform the public of current scams and protect them from investment fraud, the ASC developed “Con Watch.” “Con Watch” is an area of the ASC website designated for spotlighting scams and educating investors. The ASC often issues a cease and desist order to suspected fraudsters. Since this is a legal document, it can be difficult to understand. Therefore, a short explanation is given about the company, the scam being perpetrated and how investors can protect themselves. Whenever available, screen shots from the company’s website are included.

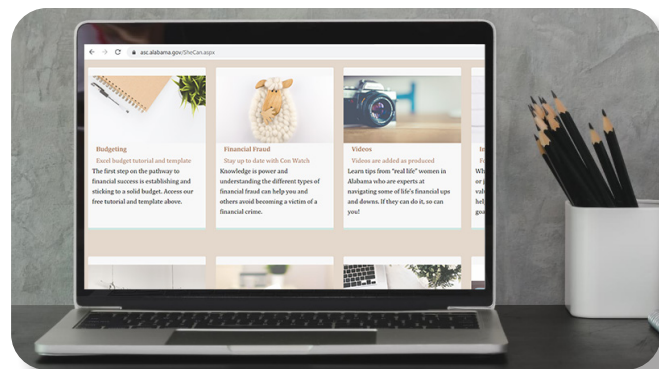


“SHE CAN” Financial Empowerment

Financial Empowerment Program for Women “SHE CAN” ACCOMPLISH HER FINANCIAL GOALS

This year marks the 100th anniversary of the ratification of the 19th Amendment to the United States Constitution which afforded women the right to vote. The passing of this constitutional right emboldened women to further pursue equality and to reach new heights. Through acts of courage and determination, like flying solo across the Atlantic, refusing to give up a seat on a bus, and earning a presidential nomination, women have forged a permanent path of success and continue to make great strides. As the nation reflects and applauds women for all they have accomplished, the ASC is committed to providing women in Alabama the financial education resources they need to make the coming years even more remarkable.

“Despite the recent advancements of women socially, politically, and professionally, some women lack financial confidence, which can put them at a disadvantage. Financial education is one of the ways women can gain and restore confidence. Financial decisions are made at every stage of life, with the circumstances surrounding those decisions different for each person, so we wanted to develop a program to equip women with the knowledge necessary to enable them to make the



right decisions- regardless of age and circumstance,” said ASC Chief Deputy Director Amanda Senn.

She Can consists of learning modules tailored for women in different seasons of their lives and careers. The program offers free training seminars, educational materials, vital information on budgeting, saving, investing, fraud prevention and other financial subtopics.



Podcast available on Itunes, Spotify
and
most podcast apps.

“SHE CAN” Financial Empowerment



Faith Feaga, ASC Public Information Specialist and coordinator of the program, distinguishes She Can from other financial education programs. “Our program is unlike other financial education programs in that it is completely free; there is no sales pitch because we have nothing to sell; and we are able to customize each presentation to the audience’s needs. For example, we can provide women with the financial information they need during life’s unexpected events, like divorce, death of a spouse and even navigating the financial stress of a one income household,” says Feaga.

Access “She Can” resources by visiting www.asc.alabama.gov/shecan.aspx.

Stay up to date on the program by following [shecan.alsecuritiescommission](https://www.instagram.com/shecan.alsecuritiescommission) on Instagram.

ASC Chief Deputy Director Amanda Senn (right) and Public Information Specialist Faith Feaga (left) at Huntingdon College for “She Can” programming on February 13, 2020

“She Can” Instagram Posts



ASC Senior Staff Go Virtual as Subject Matter Experts

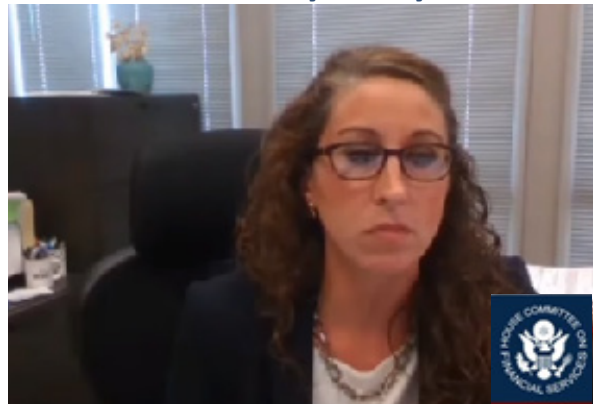


Director Borg recording a radio series on current scams with Troy Public Radio.

Chief Deputy Director Amanda Senn testified before the U.S. House Subcommittee on National Security, International Development and Monetary Policy as a subject matter expert in financial crimes on June 16, 2020. Senn spoke on behalf of all State Securities Regulators in the U.S. at the *Cybercriminals and Fraudsters: How Bad Actors Are Exploiting the Financial System During the COVID-19 Pandemic* hearing. Senn provided testimony on the rise of cyber financial schemes, how these scams are perpetrated, efforts undertaken by state securities agencies to protect the public and protection recommendations for vulnerable populations.

“It is an honor to have the opportunity to speak on behalf of the NASAA membership and represent my home state of Alabama,” said Chief Deputy Director Senn. “I feel proud of how securities regulators across North America have banded together to fight fraud collectively during this pandemic.”

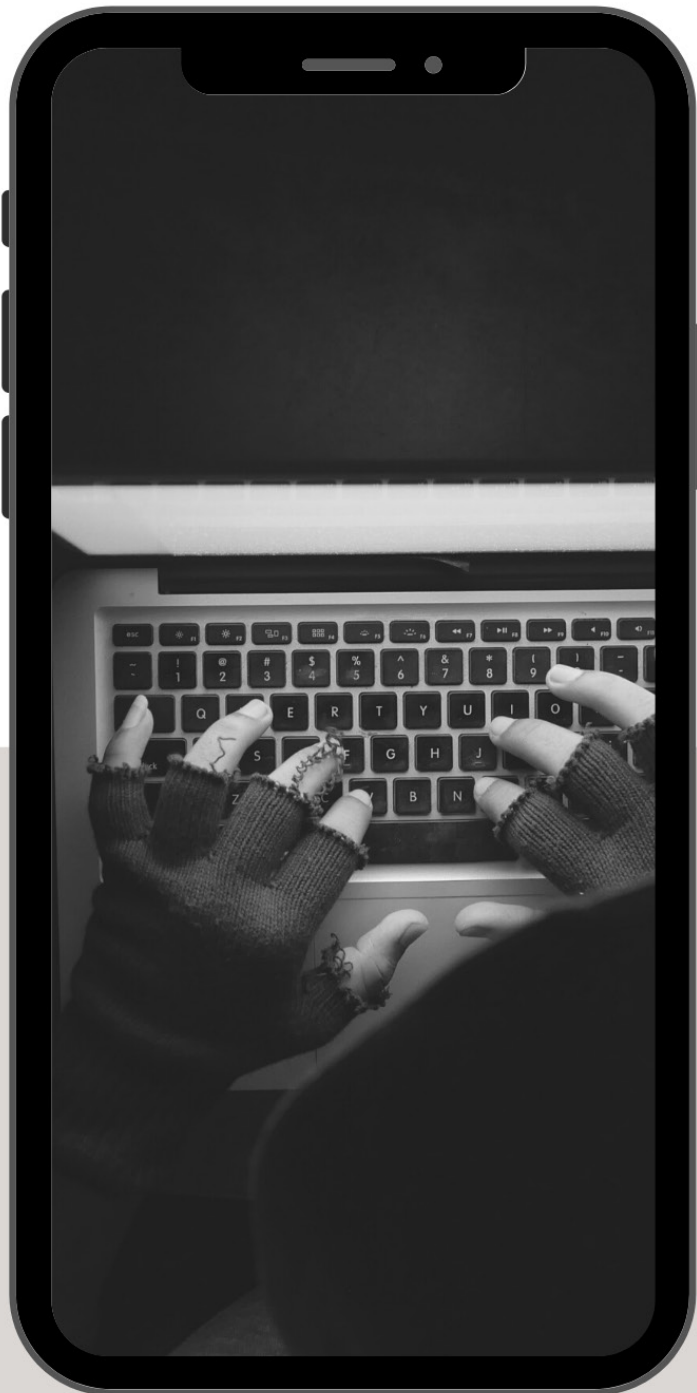
**U.S. House of Representatives
Subcommittee on National Security,
International Development and
Monetary Policy**



Cybercriminals and Fraudsters: How Bad Actors are Exploiting the Financial System During the COVID-19 Pandemic

**Amanda W. Senn Chief Deputy
Director, Alabama
Securities Commission;**
On Behalf of The North American Securities
Administrators Association (NASAA)

Top 3 Investor Threats for 2021



Internet or social media based fraud



Cryptocurrency related or precious metals scams



Foreign exchange related schemes

“Bad actors attempt to leverage vulnerabilities wherever they can be found. Don’t be lured into programs offering the promise of high returns as a way to supplement income lost as a result of the pandemic,” said ASC Director Joseph P. Borg. “Investment offers that sound “too good to be true” often share similar characteristics. The most common telltale sign of an investment scam is an offer of guaranteed high returns with no risk. All investments carry the risk that some, or all, of the invested funds could be lost.”

“A claim that an investment is “risk-free” is a claim made only by a con artist,” ASC Chief Deputy Director Amanda Senn said.

“Investing is a long-term game. ‘Get-rich quick’ schemes are built on empty promises and lead to empty pockets.”

Notable Services



- Provide no cost subject matter experts (ASC Staff member) to train law enforcement, first responders, nurses, caregivers and the public to identify elder financial abuse (and investigate when applicable).
- Provide free investor education and fraud prevention training to groups and organizations throughout Alabama.
- Offer a variety of free fraud prevention and investor education materials to the public on the ASC website www.asc.alabama.gov.
- Free registration and licensing check for Alabamians on securities professionals and products for proper registration.



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